



**PER DIEM, TRAVEL AND TRANSPORTATION ALLOWANCE COMMITTEE**  
HOFFMAN BUILDING 1, ROOM 836  
2461 EISENHOWER AVENUE, ALEXANDRIA, VA 22331-1300

PDTATAC/bjw

20 June 2000

**CIVILIAN TRAVEL DETERMINATION**

**TO: SEE DISTRIBUTION**

**SUBJECT: CAP Item 66-99 -- Chapter 16 Update--Income Tax Reimbursement Allowance**

1. **SYNOPSIS:** This item implements certain tax provisions of the Travel and Transportation Reform Act of 1998 (Public Law 105-264). This will authorize reimbursement of Federal, State and local income taxes incurred as a result of long term official travel.

This item authorizes reimbursement of Federal, State and local income taxes incurred as a result of long term official travel. In 1992, the IRS eliminated the travel expense deduction for TDY assignments lasting more than one year. This caused some travel expense reimbursements to become taxable income. On October 19, 1998, the President signed into law the Travel and Transportation Reform Act of 1998. This Act provided tax relief for civilian employees and reimbursement for interest and penalties in tax years 1993 and 1994 incurred by employees not notified by their departments and Agencies of the IRS ruling. The Act also provided for tax relief for taxable payments made for TDY from 1993 on. The General Services Administration implemented the Act in the Federal Travel Regulation (FTR) on June 18, 1999. This change implements the FTR provisions authorizing the reimbursement of taxes incurred due to a temporary duty travel assignment of over a year.

2. The Committee Chair has approved the attached changes to the Joint Travel Regulations, Vol. 2, (JTR), made in CAP Item 66-99, for publication. These changes are scheduled to appear in JTR change number 419, dated 1 September 2000. This determination is an advance notice of the changes to the JTR. You are requested to disseminate this determination to the appropriate offices within your Service. This determination is effective 1 January 1993.

*//approved//*  
S. W. Westbrook  
Director

Attachment:  
As stated

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CAP Item file

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## PROPOSED JTR CHANGE

### Change heading for Chapter 16 to read:

#### CHAPTER 16

##### PART A

#### RELOCATION INCOME TAX (RIT) ALLOWANCE

### Add to Chapter 16, after par. C16012:

##### PART B

#### INCOME TAX REIMBURSEMENT ALLOWANCE (ITRA) FOR TAX YEARS 1995 AND THEREAFTER

##### C16100 GENERAL

*(See Part C for tax years 1993 and 1994.)*

A. Definition of ITRA. An allowance designed to reimburse Federal, State and local income taxes incurred incident to an extended TDY assignment at one location. ***Federal Insurance Contribution Act (FICA) and Medicare deductions are not included in ITRA reimbursement – reimbursement is limited to income taxes.***

B. Eligibility. An employee (and spouse, if filing jointly) who was in a TDY status for an extended period at one location, and who incurred Federal, State, or local income taxes on amounts received as reimbursement for official travel expenses.

C. Reimbursement. ITRA reimbursement is only for Federal, State, and local income tax. In tax years 1995 and thereafter, no reimbursement is authorized for penalties or interest. Penalties and interest are reimbursable in tax years 1993 and 1994 only and are reimbursable only when they are attributable to the agencies failing to withhold the appropriate amounts for tax liabilities of employees.

D. Taxability. ITRA is taxable income to the employee in the year paid and is subject to tax withholding. The amount received must be reported as taxable income in the year received. An employee is eligible to receive an allowance to cover the taxes assessed on the ITRA under par. E below.

##### E. Payment

1. Agencies may offer, and employees may receive, a lump sum payment to cover the income tax liability on the covered ITRA in lieu of submitting another claim. However, this must be agreed to in writing with the understanding that the employee is responsible for any income taxes due without further reimbursement. Employees who do not elect lump sum payments are reimbursed for the tax on the tax reimbursement received.

2. An employee who does not choose a lump sum payment of the additional tax liability on the covered ITRA must submit a claim in order to be reimbursed. The tax on the ITRA reimbursement should be calculated using the Year 2 formulas developed for the RITA (see par. C16008).
3. Agencies must collect any excess payments, which includes issuing corrected W-2's or 1099's.

F. Penalty and Interest. Tax penalty and interest payments are ***not*** reimbursable for tax years 1995 and thereafter. Penalties and interest are reimbursable in tax years 1993 and 1994 only and are reimbursable only when they are attributable to the agencies failing to withhold the appropriate amounts for tax liabilities of employees.

G. Tax Tables. Tax tables for the year the tax was incurred should be used to calculate the amount of allowable reimbursement.

## **C16101 RESPONSIBILITIES**

A. Employee. Employees must file a claim according to their agency's policy to be reimbursed for additional income taxes incurred.

B. DoD Component. Finance and Accounting/Disbursing Offices calculate the amount of ITRA due the employee.

## **C16102 CLAIMS FOR PAYMENT AND SUPPORTING DOCUMENTATION AND VERIFICATION**

A. Claim Forms. Claims for payment of the ITRA must be submitted by the employee on DD Form 1351-2 (Travel Voucher or Subvoucher). When claiming payment for the ITRA, the employee must furnish and certify to certain tax information that has been or will be shown on personally prepared tax returns. The spouse also must sign the statement if joint filing status is claimed and spouse's income is included on statement. This information must be contained in a certified statement on, or attached to, the DD Form 1351-2 similar to that provided for the RIT allowance.

B. Supporting Documentation. The following documentation must be submitted by the employee with the claim:

1. A certified statement prescribed in par. C16010 or copies of completed Federal, State and local tax return for the tax year in which the taxes were withheld and paid.
2. Copies of W-2's and Forms 1099.
3. Copy of TDY orders.
4. Any other documentation necessary to substantiate the claim.

## **C16103 PROCESS**

A. Steps to be taken to determine an employee's ITRA. Determine the amount of payment by using the Federal, State and local marginal tax rates and the procedures and marginal tax tables established for the relocation income tax allowance in pars. C16007, C16008 and Appendix R; or by using the procedures for a lump sum reimbursement.

B. Computation for Lump Sum ITRA. The following illustrates how a lump sum ITRA payment is calculated:

#### **LUMP SUM ITRA TAX PAID TO EMPLOYEE**

ITRA reimbursement for tax year 1993	\$14,435
Federal Tax liability on ITRA Reimbursement (@ 28%)	4,042
VA State tax liability (@ 5.75%)	830
Local tax liability	0
	<hr/>
<b>TOTAL REIMBURSEMENT</b>	<b>\$19,307</b>

***Reimbursement of the ITRA and the tax on the ITRA is a final lump sum payment with no further reimbursement. Employee is responsible for any income taxes due on \$19,307.***

C. Computation using the Marginal Tax Rate Schedules in Appendix R. Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in pars. C16007, C16008 and Appendix R as shown in the following illustration.

#### **FOR TAX YEAR 1995 AND THEREAFTER (Married Filing Joint Return)**

	Original	Recalculated
1. Adjusted Gross Income (w/travel reimbursement):	\$75,246	\$75,246
2. Subtract travel reimbursement:		(15,482)
3. Subtract personal exemptions and itemized or standard deductions	(12,689)	(12,689)
4. Adjusted taxable income	62,557	47,075
5. Tax liability on adjusted taxable income:		
a. Federal (28%)	17,516	7,061*
		(15%)
b. State, VA (5.75% tax bracket)	3,597	2,707
c. Local: Not applicable	-0-	-0-
	<hr/>	<hr/>
d. Total	\$21,113	\$ 9,768
6. Difference of total of column 1 minus total of column 2: Additional Taxes Incurred due to travel reimburse -- \$11,345		
Total = ITRA -- \$11,345**		

\*Adjusted taxable income places employee in lower tax bracket.

\*\*The ITRA reimbursement is taxable income for the year in which paid at the appropriate Federal, State and local income tax rates.

## PART C

### ITRA FOR TAX YEARS 1993 AND 1994

#### C16200 GENERAL

A. Definition of ITRA. An allowance designed to reimburse Federal, State and local income taxes incurred incident to an extended TDY assignment at one location. ***Federal Insurance Contribution Act (FICA) and Medicare deductions are not included in ITRA reimbursement – reimbursement is limited to income taxes.***

B. Eligibility. An employee (and spouse, if filing jointly) who was in a TDY status for an extended period at one location, and who incurred Federal, State, or local income taxes on amounts received as reimbursement for official travel expenses.

C. Reimbursement. ITRA reimbursement is only for Federal, State, and local income tax. In tax years 1993 and 1994, reimbursement is also authorized for penalties and interest when the penalties and interest are attributable to the agencies failing to withhold the appropriate amounts for tax liabilities of employees.

D. Taxability. ITRA is taxable income to the employee in the year paid and is subject to tax withholding. The amount received must be reported as taxable income in the year received. An employee is eligible to receive an allowance to cover the taxes assessed on the ITRA under par. E below.

E. Payment

1. Agencies may offer, and employees may receive, a lump sum payment to cover the income tax liability on the covered ITRA in lieu of submitting another claim. However, this must be agreed to in writing with the understanding that the employee is responsible for any income taxes due without further reimbursement. Employees who do not elect lump sum payment are reimbursed for the tax on the tax reimbursement received.
2. An employee who does not choose a lump sum payment of the additional tax liability on the covered ITRA must submit a claim in order to be reimbursed. If the employee does not elect a lump sum payment, the tax on the ITRA reimbursement should be calculated using the Year 2 formulas developed for the RITA (see par. C16008).
3. Agencies must collect any excess payments, which includes issuing corrected W-2's or 1099's.

F. Penalty and Interest. The total amount of any penalty and interest assessed by the IRS (for tax years 1993 and 1994 only) due to the failure of the Government to withhold the appropriate income taxes are reimbursable.

G. Tax Tables. Tax tables for the year the tax was incurred should be used to calculate the amount of allowable reimbursement.

#### C16201 RESPONSIBILITIES

A. Employee. Employees must file a claim to be reimbursed for additional income taxes incurred.

B. DoD Component. Finance and Accounting/Disbursing Offices will calculate the amount of ITRA due the employee.

## **C16202 CLAIMS FOR PAYMENT AND SUPPORTING DOCUMENTATION AND VERIFICATION**

A. Claim Forms. Claims for payment of the ITRA shall be submitted by the employee on DD Form 1351-2 (Travel Voucher). When claiming payment for the ITRA, the employee shall furnish and certify to certain tax information that has been or will be shown on his/her actually prepared tax returns. The spouse must also sign statement if joint filing status is claimed and spouse's income is included on statement. This information shall be contained in a certified statement on, or attached to, the DD Form 1351-2 similar to that provided for the RIT allowance.

B. Supporting Documentation. The following documentation must be submitted by the employee with their claim:

1. A certified statement prescribed in par. C16010 or copies of completed Federal, State and local tax return for the tax year in which the taxes were withheld and paid.
2. Copies of W-2's and Form 1099's.
3. Copy of TDY orders.
4. Any other documentation necessary to substantiate the claim.

## **C16203 PROCESS**

The following steps must be take to determine an employee's ITRA:

A. Steps to be taken to determine an employee's ITRA. Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in pars. C16007, C16008, and Appendix R; or by using the procedures for a lump sum reimbursement.

B. Computation for Lump Sum ITRA. The following illustrates how a lump sum ITRA payment is calculated:

### **LUMP SUM ITRA TAX PAID TO EMPLOYEE**

ITRA reimbursement for tax year 1993	\$14,435
Federal Tax liability on ITRA Reimbursement (@ 28%)	4,042
VA State tax liability (@ 5.75%)	830
Local tax liability	0
<b>TOTAL REIMBURSEMENT</b>	<b>\$19,307</b>

***Reimbursement of the ITRA and the tax on the ITRA is a final lump sum payment with no further reimbursement. Employee is responsible for any income taxes due on \$19,307.***

C. Computation Using the Marginal Tax Rate Schedules in Appendix R. Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the RITA allowance in pars. C16007, C16008 and Appendix R; and add any penalty or interest for tax years 1993 or 1994 only to determine the full ITRA payment, as shown in the following illustration:

**FOR TAX YEARS 1993 OR 1994 (MARRIED FILING JOINT RETURN)**

	Original	Recalculated
1. Adjusted Gross Income (w/travel reimbursement).....	\$75,246	\$75,246
2. Subtract travel reimbursement		(15,482)
3. Subtract personal exemptions and itemized or standard deductions	(12,689)	(12,689)
4. Adjusted taxable Income	62,557	47,075
5. Tax liability on adjusted taxable income:		
a. Federal	17,516	7,061*
	(28%)	(15%)
b. State, VA (5.75% tax bracket)	3,597	2,707
c. Local: Not applicable	-0-	-0-
d. TOTAL	\$21,113	\$ 9,768
6. Difference of total of column 1 minus total of column 2:		
Additional Taxes Incurred due to travel reimbursement--\$11,345		
7. Add to the tax difference:		
a. Penalty Payment imposed by IRS tax year 1993--\$1,500		
b. Interest Payment imposed by IRS tax year 1993--\$1,500		
Total 6 and 7a and b = ITRA--\$14,345**		

\* Adjusted taxable income places employee in lower tax bracket.

\*\*The ITRA reimbursement is taxable income for the year in which paid at the appropriate Federal, State and local income tax rates.

**Add to Appendix A, Part II:**

ITRA: Income Tax Reimbursement Allowance